

When a retailer allows a purchaser a discount from the selling price for which the retailer receives no reimbursement from any source, the amount of such discount is not subject to tax. See 86 Ill. Adm. Code 130.420. (This is a GIL).

August 18, 2004

Dear Xxxxx:

This letter is in response to your letter dated May 28, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I have been advised to write to you concerning discounts on electrical products and the paying of sales tax on these items.

We purchase electrical products from various companies and if paid by a certain period we are given a discount. I need a letter from you explaining that the tax on these items are to be paid on the discounted price only. Sometimes the amount can be substantial.

Thanking you in advance for your cooperation in this matter.

DEPARTMENT'S RESPONSE:

Please see the Department's rule listed at 86 Ill. Adm. Code 130.420(c) which addresses the taxable issues involved with discounts afforded a purchaser from a retailer. In addition, you may find helpful information in general information letter ST 02-0213-GIL, which may be found among the sales tax "Sunshine Letter Rulings" on the Department's website.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If

you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk